

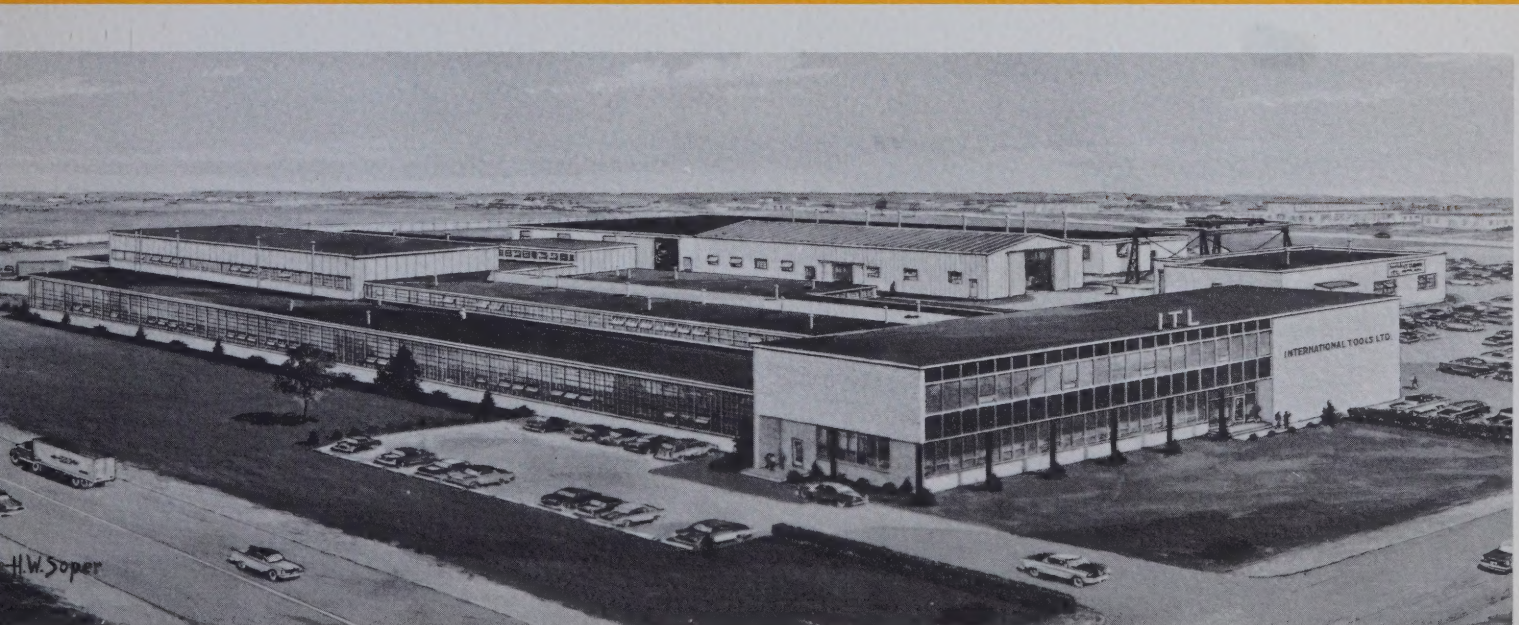
I.T.L. INDUSTRIES LIMITED

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ANNUAL REPORT FOR THE YEAR ENDED NOVEMBER 30, 1965



H.W. Soper

HIGHLIGHTS

	<u>1965</u>	<u>1964</u>
Profit before taxes.....	\$975,146	\$937,907
Income tax.....	360,962	454,375
Net profit, after taxes.....	614,184	483,532
Net profit per share, after payment of preferred dividends.....	1.21	.98
Preferred dividends paid.....	81,250	49,000
Common dividends paid.....	187,000	88,000
Earned surplus.....	572,734	372,962

REPORT TO SHAREHOLDERS

To the Shareholders:

The year ended November 30, 1965 was one of outstanding achievement for I.T.L. Industries Limited, and I am proud to report our operations and progress to you.

Earnings Set New Record

Net profit, after taxes, was the highest in our history, at \$614,184, a 27 per cent increase over the previous year. Net earnings per share, after payment of preferred dividends, amounted to \$1.21 compared with the prior year's 98¢ per share.

Dividends Paid

During the fiscal year, payment of preferred share dividends amounted to \$81,250. Common share dividends were increased on October 1st, 1965 from 10¢ to 12½¢ per share on a quarterly basis, resulting in total common share dividend payments during the year of \$187,000.

Operations

Although financial results accurately reflect our progress in terms of dollars, they tell only part of the I.T.L. story. Our people and our plans are vitally important in assessing the results of the past and the potential of the future.

International Tools Limited has maintained its leadership in the engineering and production of steel moulds for the automotive industry. Our moulds are ultimately utilized to create plastic components used in the manufacture of new cars, the major item being tooling for automotive taillights and lenses incorporating reflectors. We also supply tooling for instrument panels (dashboards), cowl panels, grilles and heater components.

We have developed multi-faceted, precision dies for optically perfect retro-reflective lenses that attest to our skill and ability. Their reflective qualities are far greater than previously designed reflectors.

In addition to moulds for the automotive industry, we make moulds for a wide range of plastic and reinforced plastic items such as television cabinets, lenses for overhead streetlighting, beverage cases, mortar casings, model car kits and other diversified products.

Our outstanding achievement in this field is directly attributed to the work of our skilled craftsmen whose production is of a quality and standard of precision second to none on this continent.

The Modelcraft Division of I.T.L. Industries Limited completed a most satisfactory year in its newly-expanded facilities in our plant. Modelcraft personnel are highly-qualified to reproduce the



intricate details required on models and patterns used in the manufacture of our plastic moulds. This Division also creates models for domestic and export markets.

Our U.K. operations are expanding both in sales and in plant facilities. During the past year, we began construction of a new and larger plant, and hope to have it completed and occupied in late spring. International Tools (U.K.) Limited serves a domestic market with much the same line of products as its Canadian counterpart, and has already made substantial inroads into the British motor car industry. We anticipate that our expanded facilities will enable us to increase our domestic markets, and also penetrate continental Europe.

During the past year, we acquired a controlling interest in Hamilton Auto Trim Limited. This company upholsters auto seat springs and makes vinyl seat covers for automobiles. It is located in a 75,000 square foot building in Hamilton, Ontario, and was acquired by I.T.L. to take advantage of the expanded North American auto market created by the Canada-U.S. auto pact agreement.

We are tremendously enthused about the prospects of Reflex Corporation of Canada. Utilizing moulds created by I.T.L., Reflex is manufacturing reflective lenses with a wide variety of applications, including driveway and highway markers that produce 30 per cent greater reflectability than conventional delineators. The company has also developed marine reflectors and buoys incorporating 360 degrees of reflective efficiency. Plans are now in the development stage to manufacture and market Reflex products in the United States.

Research and Development

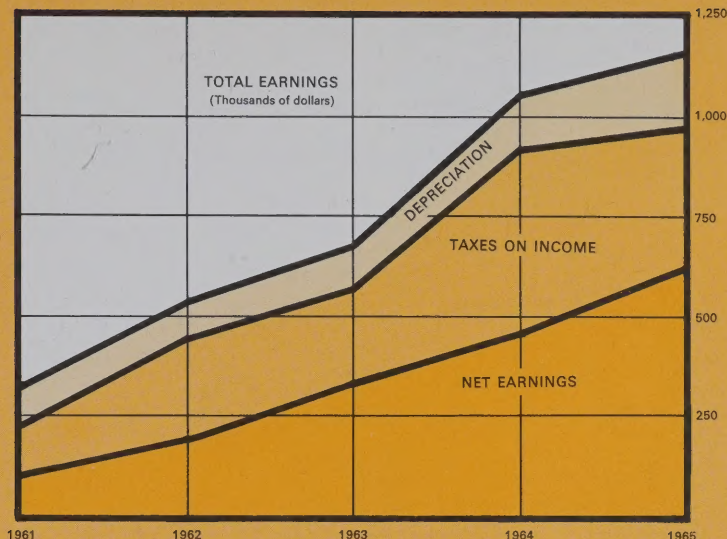
Our research and development staff is continually trying out new ideas to see if they have any practical applications. One such development is the "Safe-T-Flector" a product that is now being manufactured by Reflex. "Safe-T-Flectors" are multi-faceted reflective rings that fit around sealed beam headlights and reflect on-coming lights in the same manner that taillight reflectors pick up and reflect lights that approach from the rear. The development of this important safety device is all the more timely because of current public interest in automobile and highway safety.

As new types of materials are developed by the plastics industry, our research personnel accept the challenge of creating applications for them. Several projects are currently being researched that offer exciting possibilities for future production.

Capital Expansion

During the year, we completed construction of a plant expansion begun in 1964. Some of the larger machines were installed quite late in the year and consequently the full operational benefits of the new equipment will not be observed until 1966.

Additional equipment installed during the year accounted for the major portion of fixed asset expenditure of \$1,108,846. We anticipate that the current year will be one of consolidation of production efficiency, with less emphasis on capital expansion. Further fixed asset acquisition for International Tools



will be limited to replacing and upgrading existing equipment. The anticipated growth of Reflex Corporation may, however, necessitate commitments for a moderate expansion program.

Negotiations were begun in 1965 to issue additional Secured Sinking Fund Debentures authorized in 1964. Subsequent to our fiscal year end, Series "B" Debentures totalling \$600,000 were issued, at 6½ per cent, and the proceeds were designated primarily for working capital.

I.T.L. People

We are fortunate to have a staff of loyal and dedicated people at all levels whose conscientiousness and efficiency have contributed to I.T.L.'s outstanding record of achievement. Among our more than four hundred employees are specialists and skilled craftsmen who take a particular pride in their jobs. In our industry, so much depends on the skill and creative talents of the hands that design and produce tools and moulds. The toolmakers' art is essential to the advancement of a modern industrialized society.

Our apprenticeship program, now in its seventh year, has been an important factor in maintaining an adequate supply of skilled and semi-skilled operators. The skilled labour pool, particularly in the Windsor area, cannot keep up with the demand, and we congratulate ourselves that we foresaw this turn of events soon enough to do something about it. Our educational program of on-the-job training and classroom studies has upgraded many of our employees to the point where they are more effective workers, and their earning powers have increased accordingly. In-plant training is vitally important in Canada today, and we trust the time will come when virtually every company of any consequence will meet its responsibility in this regard. With half of our population under 25 years of age, educational programs in industry are imperative.

We are pleased to announce the election to the Board of Directors of Mr. Herbert Young following the resignation of Mr. R. M. Barr. Mr. Young is a highly respected Windsor executive who brings a wealth of background and experience in industry to I.T.L.'s Board.

1966 and Beyond

The upward trend of 1965 has carried forward into the new fiscal year. The value of orders on hand is higher than ever before, and prospects for the industry are very favourable. Inasmuch as most of our production for the past several years has been exported to the United States, we are not appreciably affected by the auto pact agreement. In fact, we were assisting the country's balance of payments long before the government felt it necessary to negotiate the auto pact.

Our plans for 1966 and beyond encourage us to anticipate continued growth and profitability for I.T.L. and its shareholders.

On behalf of the Board of Directors,

Windsor, Ontario
March 28, 1966

PETER HEDGEWICK
President

I.T.L. INDUSTRIES LIMITED

and its subsidiaries

ASSETS	1965	1964
Current:		
Cash.....	\$ 68,815	\$ 55,679
Short term deposits and notes, and accrued interest.....	—	702,036
Accounts receivable.....	1,744,533	1,064,408
Inventories of materials and work in process (Note 2).....	744,248	564,031
Prepaid expenses.....	16,932	8,127
Total Current Assets.....	<u>\$2,574,528</u>	<u>\$2,394,281</u>
Mortgage receivable—6%.....	\$ 4,473	\$ 5,892
Investment in and advances to associated companies, at cost.....	<u>\$ 58,707</u>	
Fixed:		
Lands, buildings, machinery, equipment and leasehold improvements (Note 3).....	\$3,340,971	\$2,176,997
Less: Accumulated depreciation.....	732,027	534,555
	<u>\$2,608,944</u>	<u>\$1,642,442</u>
Other:		
Organization expense.....	\$ 11,456	\$ 10,906
Expenses of debenture issue, less amount written off.....	37,040	39,098
Expenses of share issue.....	106,434	106,534
Deposits and deferred charges.....	4,094	—
	<u>\$ 159,024</u>	<u>\$ 156,538</u>
Excess of cost of shares of subsidiaries over net book value of assets acquired.....	<u>\$ 129,170</u>	<u>\$ 126,170</u>
Approved on behalf of the Board:		
PETER HEDGEWICK, Director		
C. A. BELL, Director		
	<u>\$5,534,846</u>	<u>\$4,325,323</u>

CONSOLIDATED BALANCE SHEET as at November 30, 1965

(with comparative figures as at November 30, 1964)

LIABILITIES		1965	1964
Current:			
Bank loans and overdrafts, secured		\$ 828,660	\$ 13,087
Accounts payable and accrued liabilities		552,372	444,693
Account payable—associated company		9,154	—
Sinking fund payment due June 15		50,000	50,000
Income taxes (Note 4)		157,924	254,581
Current portion of mortgage and instalment loans		25,271	—
Total Current Liabilities		<u>\$1,623,381</u>	<u>\$ 762,361</u>
Long term:			
6.20% Secured Sinking Fund Debentures, Series A, due June 15, 1984	\$950,000		
Less: Sinking fund payment shown as current	50,000	\$ 900,000	\$ 950,000
Mortgage payable, 7%	\$173,278		
Instalment loans, secured	19,919		
	<u>\$193,197</u>		
Less: Current portion	25,271	167,926	—
Other long term loans		30,805	—
		<u>\$1,098,731</u>	<u>\$ 950,000</u>
Capital Stock			
Authorized—			
200,000 Preference Shares with a par value of \$25. each, issuable in series			
1,000,000 Common Shares without par value			
Issued and fully paid—			
50,000 6½% Cumulative Redeemable Preference Shares, Series A, redeemable at par (Note 5)		\$1,250,000	\$1,250,000
440,000 Common Shares		990,000	990,000
		<u>\$2,240,000</u>	<u>\$2,240,000</u>
Earned surplus		572,734	372,962
		<u>\$2,812,734</u>	<u>\$2,612,962</u>
		<u>\$5,534,846</u>	<u>\$4,325,323</u>

I.T.L. INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the year ended November 30, 1965

(with comparative figures for the eleven months ended November 30, 1964)

	1965	1964
Profit before the following deductions.....	\$1,246,319	\$1,095,252
Depreciation.....	\$ 191,347	\$ 122,875
Amortization of expenses of debenture issue.....	2,058	2,058
Interest on long term liabilities.....	67,268	21,912
Directors' fees and expenses.....	10,500	10,500
	<u>\$ 271,173</u>	<u>\$ 157,345</u>
Profit before income taxes.....	\$ 975,146	\$ 937,907
Income taxes (Note 4).....	360,962	454,375
Net Profit (Note 6).....	<u>\$ 614,184</u>	<u>\$ 483,532</u>

CONSOLIDATED STATEMENT OF EARNED SURPLUS

For the year ended November 30, 1965

(with comparative figures for the eleven months ended November 30, 1964)

Balance, at beginning of year.....	\$ 372,962	\$ 26,430
Less: Deficit of subsidiary acquired in year (Note 6).....	146,162	—
	<u>\$ 226,800</u>	<u>\$ 26,430</u>
Add: Net Profit.....	614,184	483,532
	<u>\$ 840,984</u>	<u>\$ 509,962</u>
Less: Dividends paid—preference.....	\$ 81,250	
—common.....	187,000	
	<u>268,250</u>	<u>137,000</u>
Balance, at end of year.....	<u>\$ 572,734</u>	<u>\$ 372,962</u>

AUDITORS' REPORT

To the Shareholders, I.T.L. Industries Limited.

We have examined the consolidated balance sheet of I.T.L. Industries Limited and its subsidiaries as at November 30, 1965 and the consolidated statements of profit and loss and earned surplus for the year ended on that date. The balance sheet of International Tools (U.K.) Limited as at November 30, 1965 and the related statements of profit and loss and earned surplus, with the report thereon of other Chartered Accountants, has been accepted by us for inclusion in the accompanying consolidated financial statements. With respect to I.T.L. Industries Limited, International Tools Limited and Hamilton Automotive Trim Limited, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, based on our examination and the report of the Chartered Accountants referred to above, the accompanying consolidated balance sheet and related statements of profit and loss and earned surplus, with the notes thereto, present fairly the financial position of the companies as at November 30, 1965 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Windsor, Ontario
February 21, 1966

STEPHENS, McLEAN & Co.,
Chartered Accountants.

STATEMENT OF CHANGES IN WORKING CAPITAL

For the year ended November 30, 1965

Working Capital was increased by:

Operations—Net Profit for the year.....	\$614,184	
Depreciation.....	191,347	
Amortization of expenses of debenture issue.....	2,058	\$ 807,589
Principal payments received on mortgage.....	1,419	
Proceeds from sale of fixed assets.....	6,422	
Proceeds of mortgage.....	175,000	\$ 990,430

Working Capital was decreased by:

Additions to fixed assets.....	\$1,108,846	
Retirement of debentures.....	50,000	
Investment in and advances to associated companies.....	58,707	
Investment in and advances to subsidiary acquired in year.....	74,000	
Deficit in working capital of subsidiary acquired in year.....	90,886	
Reduction in long term debt.....	20,157	
Dividends paid.....	268,250	
Sundry items (net).....	357	1,671,203

Net Decrease in Working Capital..... \$ 680,773

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

November 30, 1965

1. Principles of consolidation:

The accounts of International Tools (U.K.) Limited are included, as to current assets and current liabilities, at the rate of exchange on November 30, 1965; as to fixed assets and accumulated depreciation, at the average rate during the period of acquisition; as to the statement of earnings, at the average rate for the period. Included for the first time are the accounts of Hamilton Automotive Trim Limited, 75% of the outstanding shares of which were acquired as of July 1, 1965.

2. Basis of inventory valuation:

Inventories are valued, as to materials and stores, at the lower of cost or market, and as to labour and work being done by others, at actual cost.

3. Basis of fixed assets valuation:

Fixed assets are carried in the accounts of the companies as follows:

International Tools Limited:

Machinery and equipment at appraisal value as determined by Canadian Appraisal Company Limited as at October 31, 1963.....	\$1,243,195
Additions since October 31, 1963, at cost.....	737,897
	<u>\$1,981,092</u>

Other assets, at cost

Land.....	\$ 50,019	
Buildings and parking areas.....	740,794	
Office furniture and equipment.....	58,067	848,880
		<u>\$2,829,972</u>

International Tools (U.K.) Limited:

Machinery, equipment and leasehold improvements, at cost.....	78,880
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I.T.L. Industries Limited:

Machinery and equipment, at cost.....	\$125,371	
Land, at cost.....	20,500	
Buildings, at cost.....	212,518	358,389

Hamilton Automotive Trim Limited:

Machinery, equipment and leasehold improvements, at cost.....	73,730
	<u>\$3,340,971</u>

4. Income Taxes:

Income taxes have been calculated on the basis of the intention to claim capital cost allowances which exceed depreciation provided in the accounts. As a result the total taxes otherwise payable for the period have been reduced by approximately \$164,700. The cumulative amount by which taxes otherwise payable have been reduced is \$216,200.

5. Preference Shares:

According to the terms of the Series "A" Preference Share Issue, the company is required to set aside on or before the first day of March 1966, the sum of \$25,000, as a purchase fund for the purchase of such shares for cancellation.

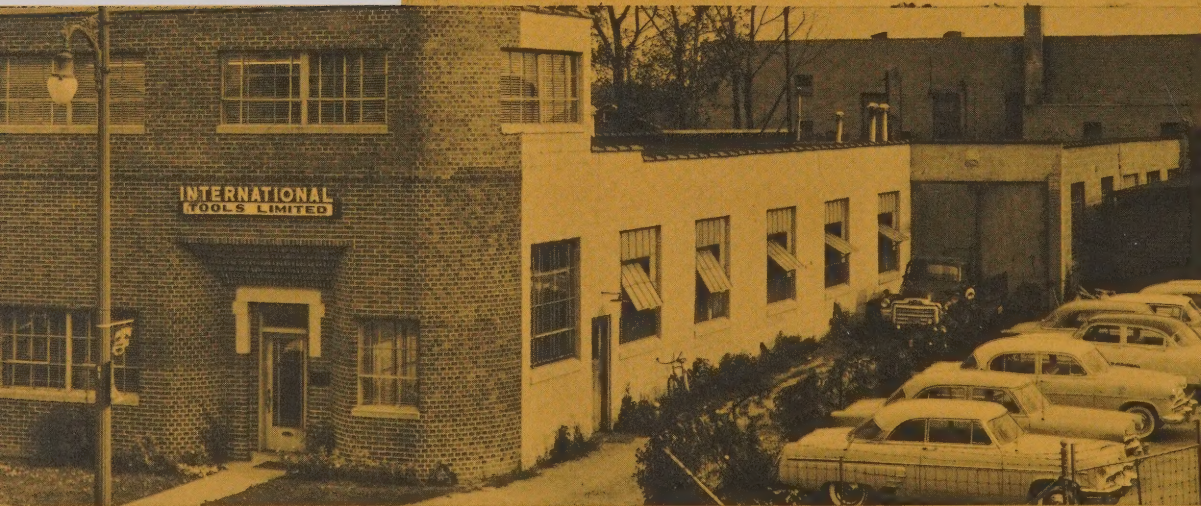
6. Subsidiary acquired in year:

The shares of Hamilton Automotive Trim Limited were acquired as of July 1, 1965. Since no reliable financial information was available as at that date, the audited financial statements as at August 31, 1965, the end of the company's fiscal year, have been used as the basis for consolidation. As a result the operating results included in the consolidated statement of profit and loss are for the three months ended November 30, 1965. The deficit as at August 31, 1965 has been charged against consolidated surplus.

I.T.L. GROWTH

Since 1945, the growth of I.T.L. has necessitated several moves to newer and larger premises. The present plant, enlarged in 1965, is depicted on the cover of this report.

1945



1953

1957



OFFICERS AND DIRECTORS

Directors

C. A. Bell, Q.C.	J. S. Gardiner	Peter Hedgewick	
J. H. Hawke	F. N. Heuchan	R. W. Keeley, K.S.G., K.M.	Herbert Young

Officers

<i>President</i>	- - - - -	Peter Hedgewick
<i>Vice President (Sales)</i>	- - - - -	A. Hyatt
<i>Vice President (Engineering)</i>	- - - - -	R. D. Balint
<i>Vice President (Manufacturing)</i>	- - - - -	N. Lewchuk
<i>Vice President (Finance) and Treasurer</i>	- - -	R. W. Braithwaite
<i>Secretary</i>	- - - - -	C. A. Bell, Q.C.

Auditors

Stephens, McLean & Company - - - - - Windsor, Ontario

Transfer Agent and Registrar

National Trust Company, Limited - - - - - Montreal, Toronto, Winnipeg, Vancouver

THE I.T.L. GROUP OF COMPANIES

I.T.L. Industries Limited	P.O. Box 68, Sandwich Postal Station Windsor, Ontario
International Tools Limited	P.O. Box 68, Sandwich Postal Station Windsor, Ontario
International Tools (U.K.) Limited	Factory No. 3, Lancaster Road High Wycombe, Buckinghamshire
Modelcraft Division I.T.L. Industries Limited	P.O. Box 68, Sandwich Postal Station Windsor, Ontario
Reflex Corporation of Canada	875 Tecumseh Road, East Windsor, Ontario
Hamilton Automotive Trim Limited	220 Dundurn Street, South Hamilton, Ontario

